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ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Letter dated 19 November 1996 from the Permanent Representatives of Denmark and South Africa to the United Nations addressed to the Secretary-General

The Workshop on Financial Mechanisms and Sources of Finance for Sustainable Forestry, held in South Africa, 4-7 June 1996, as one of the inter-sessional meetings in support of the Ad Hoc Intergovernmental Panel on Forests (IPF) was co-sponsored by UNDP and the Governments of South Africa and of Denmark. The arrangement and its outcome were a success, resulting in a substantive declaration and final report.

The purpose of the workshop was to contribute to the very important work being undertaken by IPF in terms of its mandate for the Commission on Sustainable Development. South Africa and Denmark consider the issue to be of vital importance. The forestry workshop proceedings are central for the continued involvement of IPF in the preparations for the session of the Commission in April 1997 and the special session of the General Assembly in June 1997, for the purpose of an overall review and appraisal of the implementation of Agenda 21.

We respectfully request you to include this letter and the declaration and the report annexed below as a document of the General Assembly under the appropriate agenda item.

(Signed) Benny KIMBERG
Ambassador
Permanent Representative of
Denmark to the United Nations

(Signed) Khiphusizi J. JELE
Ambassador
Permanent Representative of
South Africa to the United Nations

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Annex

REPORT OF THE WORKSHOP ON FINANCIAL MECHANISMS AND SOURCES OF FINANCE FOR SUSTAINABLE FORESTRY

PREAMBLE

The Workshop was held to support and contribute to the work of the Ad Hoc Intergovernmental Panel on Forests (IPF) of the Commission on Sustainable Development in its programme element II: international cooperation in financial assistance and technology transfer for sustainable forest management. Seventy experts from 45 countries met in Pretoria, South Africa, to analyse and discuss financing for sustainable forestry. They acted in their personal capacities, and this text reflects their views as experts. Participants came from Governments, the private sector, non-governmental and international organizations.

Meeting future human needs in the areas of food, water resources, energy and human settlements depends crucially on how the world's forests are managed. World demands for both traditional and non-traditional forest products are rising rapidly. So are demands for the whole range of environmental services provided by forests, not only local services such as water storage, erosion control and soil protection, but also global services such as biodiversity and carbon storage. With annual deforestation running at around 16 m ha, supply is falling. Shortages will become increasingly probable, resulting in higher average prices for forest products and services, and more substitutes for wood. Plantation forests will provide for some demands, albeit at social and environmental costs and benefits not yet fully reckoned.

Adequate financing is necessary for a host of forest-sector activities, public and private, domestic and international. Most of financing in forestry will come from domestic sources. Official development assistance (ODA) is particularly important in developing countries as it provides crucial support for building capacity and catalysing other sources of finance. It is especially critical in less developed countries where a much greater level of support may be necessary to achieve sustainable forest management.

Commonly cited factors causing deforestation range from logging to fuelwood collection and to land conversion for crops and grazing. Behind these, however, lie other and deeper causes such as poverty among marginalized populations who live in forests or on the fringes of forests, and depend on them, but derive few, if any benefits, from their unsustainable exploitation. Governments need urgently to empower these people by granting them secure tenure and access to land and decision-making about its use. Sustainable forest management will depend on comprehensive sustainable development, especially sustainable agriculture and food security and alleviation of poverty.

Worldwide there is a depletion of forest capital due to deforestation and forest degradation. This is a global phenomenon occurring both in tropical, temperate and boreal forests. Developing countries are attracting gross investment of about US$ 20 billion from domestic and foreign sources. At the

same time, however, they are suffering a disinvestment [or depreciation of forest capital] estimated roughly at about US$ 45 billion, as a result of deforestation. This results in a net negative investment of about US$ 25 billion annually. This huge investment gap will continue to expand without major changes in policy and regulatory regimes.

During the past few years many donors have reduced ODA and forestry ODA has declined in real terms. These trends should be reversed. Moreover, forestry ODA goes to relatively few countries among those that required such assistance. A promising new emphasis is a shift in forestry ODA from traditional to sustainable forestry, rural development and conservation. Both socio-economic and environmental benefits of forestry justify an increase in the sector's share of ODA which now stands at only 3 per cent of the total. Domestic funding for forestry has risen substantially in several developing countries.

Meanwhile, private investment flows to developing countries have been rising and are now five times greater than ODA. One critical task is to direct private investment towards sustainable forest management. Sustainable forest management can provide an efficient, effective and least-cost alternative when social and environmental benefits are included in the economic equation. In developing countries the current flows of private investment are highly concentrated on a few countries with export potential, while serious shortages of funds are experienced in countries where forestry is oriented towards domestic markets.

It was recognized that vast areas of forests are not being managed sustainably but there are several promising trends towards sustainability. First, the effective participation of local populations in decision-making is becoming common facilitating achieving sustainability. Secondly, several forest operations are now generally recognized as being sustainable. Thirdly, investment in industries based on sustainable forest management, such as tourism and non-wood forest products, are large and growing rapidly. It is also recognized that private sector activities in sustainable forestry in most countries can and should be self-financing even though it often requires substantial initial investment which justifies support by public spending and international assistance. With the reform of the policy and regulatory frameworks within which it operates, sustainable forest management should generate net revenues. There is however a great diversity between countries, and many nations are in need of significant external assistance to manage their forests sustainably.

INVESTMENT AND FINANCING

Basic considerations

To attract investment in sustainable forestry, political and macroeconomic stability is necessary. Access to land and the security of property rights are also fundamental. Governments have major responsibility to create an enabling environment for investment including:

(a) An effective and appropriate regulatory framework;

(b) A clearly defined forest policy, which is not in conflict with other sectoral policies, as well as policies which promote effective finance;

(c) Transparent, participatory and democratic decision-making processes;

(d) Capacity-building in key areas;

(e) Non-conventional financial intermediaries that provide financial services to small farmers.

It is recognized that there is no alternative to domestic policies which ensure efficient and environmentally sound use of resources and which are backed by the political will and public service capacity to deliver them.

Undervaluation

Forests are often assigned very low or no market value. This contributes to wasteful utilization and acts as a great disincentive to investment. Undervaluation and accounting distortions result in uncompensated transfers of forest land to other uses.

National economic accounting systems currently harbour a fundamental error. They have no capital accounts and hence ignore changes in the value and stocks of resources. Consequently, it is possible to show high levels of national or corporate income by running down resource stocks even when this is sure to bring declining incomes in the future. National accounting systems also fail to place a value on, or they undervalue, the economic services provided by natural resources. Forests, for example, provide habitat for species and means to retain water and soils, the loss of which carries costs associated with reduced crop yields and flooding. These systems need urgently to be revised and reform efforts, which are now under way, should be supported, recognizing the long-term nature of the task. Each country will develop these according to their needs.

Actors

Sustainable forest management will require support to a variety of institutions. Among the most essential are:

(a) Public agencies to enforce norms and regulations equitably;

(b) Private enterprises with operations based on sustainable forestry;

(c) Community-based organizations which represent, mobilize and empower local people;

(d) Institutions for research and technology dissemination on sustainable resource use.

Incentives

The forest industry in many countries is provided with a wide variety of incentives and subsidies. In granting fiscal incentives such as tax breaks, and

stumpage fees and rents set well below market value, Governments are short-changing themselves and their taxpayers, and they encourage industry to engage in unsustainable practices for short-term gain. Governments should give high priority to a review of their incentive systems with a view to reforms that will encourage sustainable forest management.

Many benefits of sustainable forest management are in the form of externalities such as conservation of biodiversity, protection of watersheds and carbon storage, which currently are not priced by the market. There is therefore a need to establish a policy and regulatory framework within which these externalities are priced.

The social dimensions of sustainable forest management may require substantial initial investment which justifies public support and international assistance. Extreme care is necessary in designing and implementing an incentive system to promote sustainable forest management to avoid subsidizing unsustainable practices.

A sustainable and commercially viable forest industry should also include the production of non-traditional forest products and the expansion of markets for them. This will benefit the poor and often marginalized people whose livelihood depends on forests.

Innovative financing for sustainable forestry development

Innovative financial mechanisms are promising and their applicability varies greatly between countries. While Government and other stakeholders have been dedicating resources to the development of new financial instruments to address sustainable forestry, the huge shifts in global capital markets over the last five years suggest that the main issue for capturing private sector funding for forest management is not developing new financial instruments, but linking existing investment flows more directly to sustainability and with sustainable forest management in particular.

Several innovative international public finance mechanisms have been proposed and discussed in international forums over the last few years to augment current financing of multilateral institutions. Many international activities produce global and national benefits, such as peacekeeping, administration of justice, sustainable forest management, trade and transport, and communication channels, as well as emergency relief, etc., and many global and national resources need protection such as the ocean, forests, the atmosphere, and the ozone layer. A benefit of international public finance would be that it is "automative" as opposed to voluntary as current ODA funding is. The various instruments proposed can be divided into three groups: international taxes; user charges for global commons; and monetary measures. The Expert Group on Finance and Consumption has recently produced much useful analysis and documentation on this topic. This is being considered by the Commission on Sustainable Development and IPF's recommendation should be consistent with that of the Expert Group.

Domestic public financing is clearly very important for sustainable forest management because of the many national benefits. Innovative mechanisms of

mobilizing this have had substantial success in several developing countries since the United Nations Conference on Environment and Development. Sources included under both forest products and services include: budget transfers, special funds, phasing out subsidies, objective-oriented taxation, beneficiary taxes, watershed charges, full cost pricing, deforestation charges/taxes, and reforestation and/or forest management bonds etc.

A critical factor in moving new capital into sustainable forestry will be to convert the development framework provided by national forestry programmes into an investment framework within sectoral investment programmes.

Private capital flows into the forestry sector in developing countries, while difficult to measure, are already in the billions each year representing an opportunity for channelling investment to sustainable forestry but they are also a threat to forestry if business as usual continues.

The public sector and private capital markets will need to work together in new ways to close the funding gap. Options for action to address the needs of sustainable forestry development include: (a) utilizing established financing approaches that have already been proven; and (b) focus on high leverage use of public funds. Creating entirely new financing mechanisms adds another element of risk in the emerging sustainable forestry sector and their development needs careful preparations, testing and evaluation.

In countries which want to establish links to capital markets and to channel capital into the new area of sustainable forestry investment it will require the creation of capital markets infrastructure. "Value chain investing" (forestry-primary and secondary processing-distribution) is another option because it lowers risks and creates cost savings. Public funds can be used to offset risks related to market development, and to compensate the costs of incorporating externalities into business operations, and the incremental management costs of moving capital into the new area of sustainable forestry.

There is a critical need for equity and debt funding instruments which lower the overall risk of sustainable forestry investment. The types of funds needed include: (a) small and medium-scale early-stage venture funds to help move capital, inject business rigour and attract management talent to sustainable forest management; and (b) medium-to-large-scale sector-specific funds to help the professional investment community to identify that sustainable forest management is ready for mainstream investment.

The Workshop considered many examples of new ways to move capital towards sustainable forestry and related areas which offer potential for replication and they should continue to be monitored, analysed, and promoted to investors, bankers, insurers etc.

COORDINATION

Coordination in financing sustainable forestry is an important tool to improve effectiveness and efficiency in fund-raising and utilization, but it

should not be an end in itself. Poor coordination of funding often results in waste or gross misuse of vital resources.

Coordination needs to be addressed both at national, regional and global level, and it should include all the stakeholders, including the private sector.

In-country coordination

The responsibility for in-country coordination should be with the Government. Effective coordination requires strong political leadership, planning bodies with adequate capacity and finance, a qualified and responsive planning capacity, and a consensus-building process where all stakeholders should participate and be provided with the necessary information.

National forestry programmes should be established as country-driven processes and the framework for coordination of financing and international cooperation.

For in-country donor coordination the Government may entrust a supporting role to an external agency with a long-term commitment to the sector. Pooling of resources is an option to improve efficiency.

International-level coordination

Governments, international organizations, and donor communities should have a shared vision of sustainable forest management, providing common objectives and a basis for coordination. Governments should direct their delegations to international agencies to take consistent positions on sustainable forest management and they should ensure that their bilateral agencies support these positions.

International coordination of development financing for sustainable forest management should focus on eliminating duplication, competition and support country-driven programmes. It should focus on providing a better flow of synthesized information on programme progress, policy development, best practices and lending strategies. This would help to avoid repetition of past failures and allow fast transfer of knowledge on successful pilot projects and evaluation of lessons learned.

The national forestry programme should be used by donors to plan their programmes in recipient countries and they should encourage a shift from individual projects to programmes.

Donor coordination should begin with internal consistency.

Appropriate indicators should be defined for monitoring and evaluation of the effectiveness of international cooperation.

Partnerships should be forged between Governments, local stakeholders and sources of external funds. The feasibility of forest partnership agreements should be established through further study and national experiments.

Coordination (in-country and international level) between intergovernmental organizations within the United Nations system should be mandatory, with formal arrangements put in place for this purpose.

Informal coordination mechanisms such as the Forestry Advisers Group and those of non-governmental organizations should be encouraged.

Coordination and the private sector

Participation of the private sector in national forest policy and planning processes is an important element for coordination.

The international private sector engaged in forestry activities already has sophisticated mechanisms of coordination including those aimed at the highest levels of Governments. This is achieved through direct contact, trade missions, etc. It is essential that Governments involve representatives of forest and environment agencies in these endeavours, missions etc. to ensure that resulting investment flows support sustainable forest management.

National Governments need to send the right signals to mobilize private capital and to maximize public benefits from private investment. Mechanisms include a predictable investment climate, enforceable but fair environmental regulations, secure resource tenure, development of capital markets, creation of information clearing house services, dissemination of information on innovative investment arrangements, establishment of revolving funds for pre-investment studies and inventories, etc.

Public-private partnerships should be employed as a means both to lever limited public funds, including ODA, and to channel larger investments into sustainable forest management.

PRETORIA DECLARATION

Seventy experts from 45 countries from all regions met in the Workshop on Financial Mechanisms and Sources of Finance for Sustainable Forestry, co-sponsored by the Governments of Denmark and South Africa and by UNDP, held in support of IPF, from 4 to 7 June 1996, in Pretoria.

The experts recognized that forests including wooded lands, simultaneously provide a wide range of economic, social, environmental and cultural benefits at the local, national, regional and global levels, and that maintaining all types of the world's forests in a healthy state is in the collective interest of the present and future generations.

The experts however expressed deep concern about the lack of follow-up and implementation of the Rio agreements in order to combat deforestation and to promote sustainable forest management, and concern in particular:

(a) That forests worldwide are not being managed sustainably, and that extensive unplanned deforestation and forest degradation is taking place at an unprecedented rate;

(b) About the ability of forests to meet the multiple needs of societies if the current trends and investment practices continue;

(c) The resource gap to meet the needs of sustainable forest management.

In order to address these concerns and to reach the goal of economically efficient, socially balanced and ecologically sound sustainable forest management, the experts call upon the Governments, private sector and investment community, multilateral international organizations, non-governmental organizations and the voluntary sector to recognize their shared responsibility and to take urgent action as follows:

(a) National Governments undertake policy reform that includes securing market value of the natural resources capital stock, land-use planning and security of land tenure, as well as the use of domestic resources;

(b) National Governments create and promote a favourable environment for investment in sustainable forest management including macroeconomic stability as well as develop and maintain strong institutional and human capacity;

(c) National Governments provide incentives and promote the use of appropriate technologies to support sustainable forest management, particularly to small enterprises, local communities, and forest owners as well as ensure that incentives to other sectors are supportive of sustainable forest management;

(d) National Governments formulate and implement, through an open and participatory process, a national forest programme that includes clear action plans and provisions for in-country coordinating mechanisms and monitoring of

progress and that ensures consistency in national development planning as well as macro and relevant sectoral level;

(e) The donors and the voluntary sector particularly focus their activities in meeting subsistence needs, building capacity and creating potential industrial opportunities in developing countries, particularly those with low forest cover;

(f) The share of domestic financial resources as well as the share of ODA allocated to sustainable forest management activities be increased in real terms, especially the recognition of the latter's critical role in financing sustainable forest management in many developing countries;

(g) Mobilization of additional domestic and external financial resources to fund the necessary measures for promoting sustainable forest management;

(h) New financial mechanisms to mutually leverage private investment and ODA funds need to be developed;

(i) More efficient use of funds from all sources;

(j) The donors should respond to the priorities of the developing countries and improve their efficiency and effectiveness through allocation of higher proportions of total funds to local implementation, coordination and periodic joint evaluation;

(k) Private sector should be encouraged to adopt codes of conduct to promote sustainable forest management;

(l) The United Nations system should agree to mandatory coordination; the roles of United Nations agencies need to be clearly defined and based on their comparative strength to implement a shared vision of sustainable forest management;

(m) Increase support for research to promote sustainable forest management.

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Fifty-first session
SECOND COMMITTEE

Letter dated 22 November 1996 from the Chairman of the Fifth Committee to the Chairman of the Second Committee

I wish to draw your attention to the concerns raised repeatedly by the delegations of the Fifth Committee during both formal meetings and informal consultations at the current session of the General Assembly regarding the tendency of substantive Committees to involve themselves in budgetary and administrative matters.

In this connection, I should like to refer to General Assembly resolution 45/248 B of 21 December 1990, section VI, on the procedures for administrative and budgetary matters, in which the Assembly reaffirmed that the Fifth Committee was the appropriate Main Committee of the Assembly entrusted with responsibilities for administrative and budgetary matters, and also reaffirmed the role of the Advisory Committee on Administrative and Budgetary Questions. In the same section of that resolution, the Assembly expressed its concern at the tendency of its substantive Committees and other intergovernmental bodies to involve themselves in administrative and budgetary matters.

In accordance with rule 153 of the rules of procedure of the General Assembly, when a Main Committee is about to adopt a draft resolution involving expenditures recommended for approval by the Assembly, the Secretary-General submits a statement of programme budget implications (PBI). It goes without saying that, in respect of the consideration of a statement by the Secretary-General on programme budget implications, the primary responsibility of your Committee is to review the programmatic aspect of it, leaving the consideration of the financial aspects to the Fifth Committee.

Taking into account the rules of procedure of the General Assembly and Assembly resolutions 41/213 of 19 December 1986, 42/211 of 21 December 1987 and 45/248 B, in which the Assembly reaffirmed the role of the Fifth Committee as the competent Main Committee that considered all reports of the Secretary-General with administrative and financial implications and the related reports of the Advisory Committee on Administrative and Budgetary Questions, I should

very much appreciate it if, in the course of your consideration of any proposal, the financial aspects would be left aside for the appropriate and necessary decision of the Fifth Committee.

I should be grateful if the above concerns and necessary clarifications could be brought to the attention of your Committee and taken into account in your deliberations on draft proposals.

(Signed) Ngoni Francis SENGWE
Chairman
Fifth Committee

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Agenda item 94 (c)

MACROECONOMIC POLICY QUESTIONS:
TRADE AND DEVELOPMENT

Letter dated 20 November 1996 from the Permanent Representative of Zimbabwe to the United Nations addressed to the Secretary-General

I have the honour to submit herewith a joint communiqué on "The Current International Trading System and Prospects for the Promotion of Trade Among Developing Countries"*, which was released at the Sixth Summit Level of Developing Countries of the Group of Fifteen held at Harare from 3 to 5 November 1996.

I wish to request that this letter and its annex be circulated as documents of the General Assembly under agenda item 94 (c).

(Signed) Machivenyika T. MAPURANGA
Ambassador and Permanent Representative

* The attachment is circulated in the language of submission only.

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ANNEX

THE SUMMIT LEVEL GROUP OF DEVELOPING COUNTRIES

GROUP OF FIFTEEN

JOINT COMMUNIQUE

THE CURRENT INTERNATIONAL TRADING SYSTEM AND PROSPECTS FOR THE PROMOTION OF TRADE AMONG DEVELOPING COUNTRIES

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JOINT COMMUNIQUE

We, the Heads of State and Government of the Summit Level Group for South-South Consultation and Cooperation - the Group of Fifteen have met in Harare, Zimbabwe, from 3-5 November 1996 for our Sixth Summit, devoted to a review of the international economic situation and cooperation among developing countries. Following comprehensive and in-depth discussions, we have arrived at the following conclusions:

A. OVERVIEW

1. World economic growth continues to be driven by a rapidly growing international trade and investment flows compared to world output. The economies of all States are increasingly geared to such flows and the interdependence derived from them accentuates the need for a positive integration of all countries into the global economic system. The prospects for spreading growth across countries and regions largely depends upon greater participation of developing countries in current flows of trade and investment.

2. While potentially creating prospects for trade and investment expansion and growth, the current trends of globalisation and liberalisation have a variable impact on economies depending on their degree of development and their ability to adapt to the increased dynamism of the global market. The uneven impact of globalisation and liberalisation is further compounded by new challenges to our countries confronted with increasing competition and issues of access to markets, capital and new technologies.

3. The current discussion on development is increasingly sidelining its external dimension. Development can only take place in a supportive international economic environment in which major industrial countries shoulder a special responsibility. They should coordinate a strategy of economic expansion to raise demand, accelerate and stabilise world growth, undertake significant policy adjustments, promote sustained and substantial flows of Official Development Assistance (ODA), and promote a system of financial cooperation capable of preventing the emergence of serious financial crises and reducing the level of financial volatility.

4. In the area of trade, we have welcomed the Uruguay Round results and the World Trade Organisation (WTO) system as a milestone towards liberalisation and reinforcing multilateralism and avoiding unilateral actions. Liberalisation has accelerated the growth of international trade and consequently, improved the prospects for economic growth. At the same time, for some developing countries rapid trade liberalisation has caused short-term difficulties and the risk of marginalisation.

5. In the area of investment, new phenomena related to the rapid transfer of volatile capital require examination by the international community. In this regard, volatility of capital demands urgent decisions on the need for stronger action and greater coordination on monetary and financial issues in order to deal with emergency situations that threaten the prospects of sustainable development of developing countries as well as the effective functioning of financial institutions.

6. Although the development process has been uneven and geographically concentrated in limited areas and nations, in recent years the contribution of developing countries to the growth and the inter-dependence of the global economy and trade has been far in excess of their relative economic weight. They now account for a substantial share of the additional external demand and therefore constitute a significant growth factor for international trade and the world economy. Developing countries today are at the forefront of trade liberalisation and have telescoped this process into a much shorter timeframe compared to liberalisation by other countries over the past few decades.

7. There has been a notable upsurge in the growth of intra-regional trade, including subregional trade among developing countries. The trend has however been unevenly spread, with the most dynamic increases in Asia and Latin America. Africa has witnessed only marginal growth of intra-regional trade. The emergence of dynamic growth points within the developing world offers unexplored potentials for increased trade among these countries and regions.

8. Among developing countries there are many, particularly the least developed and weakest, who continue to face a bleak future due to structural impediments. International cooperation is vital to assist these countries to overcome poverty and marginalisation and dependence on primary commodities, indebtedness, economic stagnation and lack of investment resources.

9. We welcome the consensus reached at the Ninth Session of the United Nations Conference on Trade and Development (UNCTAD IX) on the challenges and opportunities arising from globalisation and liberalisation and on the partnership for development reaffirmed in the impetus given by the Midrand Declaration to the "solidarity in action" that should guide international cooperation on these issues. For globalisation to be meaningful and beneficial to developing countries it must be facilitated by the international community, since the full integration of developing countries into the world economic system constitutes the very essence of the phenomenon of globalisation.

B. INTERNATIONAL TRADING SYSTEM: OPPORTUNITIES AND CHALLENGES

10. Trade, investment and technology continue to be key elements to economic development and are the main driving forces behind increasing interdependence and the emergence of a global market. Increased access of products and services of developing countries to global markets would have an important effect on individual welfare and development of their economies.

11. Developing countries looked to the successful conclusion of the Uruguay Round so that the international community seizes the unprecedented opportunity it has to build an equitable, secure and rule-based trading system, and that it would open opportunities for the beneficial integration of developing countries into the international trading system and world economy. The WTO that has emerged from the Uruguay Round is comprehensive in its coverage of the Marrakech Agreements. It also incorporates a multilateral disputes settlement mechanism which can safeguard the rights of developing countries.

12. A diversity of other challenges still abound: In a number of crucial areas, the negotiated results of the Uruguay Round fell short of the expectations of developing countries and they have yet to realise the expected welfare increase and better market access. In a number of developing countries the outcome of macro-economic reforms and liberalisation initiatives linked to the Uruguay Round remained unpredictable due to questions over their compatibility with development needs and interests and their sustainability.

13. Furthermore, the implementation of the Uruguay Round in areas of export interest to developing countries has been inadequate and tardy. Trading opportunities of developing countries are being neutralised through the use of protectionist measures including those taken unilaterally and in the guise of environmental, social or quality related concerns. This situation needs to be remedied. In respect of sectors and areas of trade in goods and services where developing countries have a comparative advantage, there is need for further liberalisation and increased market access for exports of developing countries. Also there is a real risk that some developing countries, particularly the least developed among them, will be further marginalised unless assistance is provided by the international community.

14. The current trading system is characterised by an unbalanced international trade growth. It is also characterised by a new commercial geography with the coming into the international trading scene by some developing countries. A small but dynamic number of trading nations, are seemingly achieving the breakthrough from the traditional circle of developing countries. This is a positive development that holds valuable experience and motivation for other developing countries. Developing countries have already taken and should endeavour to continue to pursue measures aimed at trade liberalisation and increased participation in international trade including the reduction and consolidation of low tariffs, the elimination of quantitative restrictions, and the removal of administrative, import and other trade impediments. Trade liberalisation measures adopted by some developing countries have not yet resulted in their increased participation in international trade. Greater international cooperation should be exerted to that end.

15. To benefit fully from the multilateral trading system, developing countries should enhance their capacities of utilising all the trading opportunities created by the Uruguay Round. Export conditions for developing countries goods and services will be enhanced by the trade liberalisation process triggered by the Uruguay Round, including the staged reductions of industrial tariffs, phasing out of restrictive quotas under the Agreement on Textiles and Clothing, reduction of barriers and subsidies affecting agricultural trade and liberalisation in the services sectors. However, there are a number of related difficulties facing developing countries in major markets, particularly tariff peaks, preference erosion, tariff escalation and the abuse of anti-dumping measures and countervailing duties. Further trade liberalisation should be undertaken from a development perspective. Demands for concessions from developing countries over and beyond what is provided for in the Uruguay Round Agreements would adversely affect the ability of developing countries to manage their smooth integration into the world trading system.

16. Appropriate macroeconomic frameworks and infrastructures will be necessary for developing countries to respond to market access changes created by the Uruguay Round. Capacity building will therefore play a crucial role. Developing countries efforts in this area should be complemented by technical assistance from both the trade and financial institutions as well as

bilaterally and should focus on human resources development, institutional building, strengthening of the private sector, especially the small and medium enterprises.

17. An important challenge for developing countries is that of actively participating in the multilateral trading system to exercise and safeguard their rights, promote their trade and development interests and ensure that these are taken into account in the evolving and future international trade agenda.

18. The credibility of the multilateral system would be strengthened by universality of membership of WTO. Acceding to the WTO remains a challenge to some countries the achievement of which could enhance the collective impact of developing countries within the international trading system. Subject to compliance with WTO rules, examination of applications for membership should be accelerated in the working parties in view of the impact of global membership both within national economies and on the international trading order. In this regard, there should be flexible consideration towards applications for accession by developing countries and technical assistance should be given upon request, to the countries concerned in order to facilitate the process.

19. The experience of the WTO during its first two years of existence clearly defines the need for the effective implementation of existing agreements for the consolidation of the multilateral trading system. At the same time this experience has brought to the fore considerable pressures and difficulties for developing countries. Institutional and other requirements like meeting notification obligations, the changing of domestic laws, are proving a complex and difficult task.

20. Interest in regional trading arrangements continues unabated. On one hand, there are concerns that these arrangements could result in trade distortions and polarisation into exclusive economic zones. On the other hand, and for developing countries in particular, such arrangements could create an enabling environment for the development of competitive industries and new export markets, strengthen their economies and increase their integration and participation in international trade. The WTO has established a mechanism to examine and monitor the evolving relationship between regional trading arrangements and the multilateral trading system. It is vital that the supremacy of the multilateral trading principles and rules should be upheld and at the same time ensure that the benefits and necessity of regional cooperation be recognised. Emphasis should hence be placed on consistency and complementarity between the two processes.

21. The Generalised System of Preferences (GSP) continues to be important for developing countries in expanding trade and investment. The erosion of preferences and graduation clauses are issues of serious concern to developing countries. Schemes under GSP should be renewed and adjusted to ensure meaningful emergence of preferences, expanded product coverage to include products of export interest to developing countries, and liberalisation of non-tariff measures associated with GSP.

22. The ninth session of UNCTAD agreed on far-reaching proposals to ensure that developing countries face the challenges and seize the opportunities of the international trading system. We welcome these proposals whose faithful implementation is in the interest of both developed and developing countries, and the positive reassertion of UNCTAD's analytical and

consensus-building role in trade and development issues. It is also in the interest of all countries that a mutually beneficial trading system continue to develop through further consolidation and the strengthening of the rules-based system of the WTO. Our countries will shoulder their responsibilities to achieve these objectives and call on our developed country partners to do their part.

C. WORLD TRADE AGENDA

23. The forthcoming first WTO Ministerial Conference, to be held in Singapore, offers an opportunity to take stock of the implementation of Uruguay Round Agreements, the direction of the multilateral trading system and its contribution to ultimate objectives of growth and development. Clearly the most overriding task before the Ministers will be a review of the implementation of the Uruguay Round agreements since the entry into force of the WTO in January 1995. Such a review should identify, on one hand progress that has been made and on the other, shortcomings that will require renewed and concerted effort with a view to stimulating implementation in areas of export interest to developing countries. On the basis of the prevailing situation it is reasonable to assume that this issue alone will occupy a considerable part of the focus of the Ministers.

24. Compliance with notification requirements of the Uruguay Round Agreements is essential for the functioning of the multilateral trading system. It is on this basis that our countries can assess whether other members live up to their commitments which impact on our countries ability to benefit from the results of the Round. However, the fulfilment of WTO notification requirements has become a burdensome task particularly for some developing countries. The enormous amount of notifications to be presented and the doubts on how to comply with such requirements has increased the difficulties for developing countries to benefit from the results of the Round.

25. The Singapore Ministerial meeting of the WTO should in its review address issues of increased market access for developing countries, for example in the area of textiles and clothing, agriculture, footwear and leather goods, tropical products, manufactures, etc. Ministers should also review the increased use of trade policy instruments as trade barriers such as excessive use of transitional safeguards and proliferation of anti-dumping actions by some developed countries.

26. It will be important for the Ministers to assess the respect for, and the implementation of, commitments in the various WTO agreements on market access liberalisation and trade rules. Appropriate emphasis should be put on the need to strengthen the capacity of developing countries to benefit from trade in services package of the Uruguay Round and to participate in negotiations on further liberalisation in this area.

27. It has been recognised that during the reform program leading to greater liberalisation of trade in agriculture, Least Developing Countries (LDCs) and net food-importing developing countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. The Marrakech Ministerial decision in this regard should be effectively and speedily implemented.

28. The dispute settlement mechanism of the WTO is a fundamental guarantor of the survival and well-being of the multilateral trading system. The trend by both developed and developing country members to have recourse to the multilateral dispute settlement is welcome. The role of the Dispute Settlement Body (DSB) will be strengthened by prompt response to requests from members for the treatment of disputes and monitoring prompt compliance with its recommendations. On the other hand, the Dispute Settlement Understanding (DSU) will be weakened by unilateral measures. Thus far, the DSB has functioned in a manner that strengthens the codified rules, and promotes the progressive development of international trade law.

29. In addressing the built-in agenda, the WTO should adhere to the time-tables set in the Uruguay Round Agreements. Attempts to advance and reopen issues only just painstakingly settled will call into question the credibility of the WTO. The pursuit of the built-in agenda should include areas of export interest to developing countries. Developing countries are hard put and need time to absorb and adjust to the vast set of rules and instruments of WTO. WTO also requires time to strengthen its monitoring mechanisms and the functioning of its dispute settlement body. A comprehensive and balanced preparatory work for further liberalisation of trade in agriculture should be undertaken after the Singapore Ministerial Conference.

30. Trade and environment policies should reinforce one another and be made mutually supportive in order to attain the goal of sustainable development. It needs to be recognised that linkages between trade and environment are complex. Trade is not the primary cause of environmental problems. Linkages requiring further examination include the relationship between the provisions of Multilateral Trade System (MTS) and Multilateral Environmental Agreements (MEAs), and the effect of environmental measures on the market access of developing countries. It should be recognised that environmental standards should reflect the developmental context (Rio principle 11), avoid the establishment of disguised protectionist measures with environmental justifications (Rio principle 12) and that in addressing common environmental problems there are differentiated responsibilities. In suggesting effective approaches to address environmental problems, consideration should be given to the transfer of environmentally sound technologies and products to developing countries on favourable, non-commercial and equitable terms. Great importance is given to the removal of all trade restrictions and distortions having a negative effect on the environment. In several areas, further study and empirical work are required in order to clarify trade and environment linkages.

31. Developing countries have been carrying out trade and macroeconomic reforms aiming at sustained economic growth. Their efforts can be impeded by the use of unilateral actions by major economies in particular those with extraterritorial effects. Such actions pose a danger for the multilateral trading system and the development prospects for our countries. Furthermore the linkage of issues to trade and the threat to use trade measures to achieve domestic objectives poses a danger for the multilateral trading system and the trade prospects for our countries.

32. A growing and diverse number of issues have been proposed for discussion and placement on the agenda of the WTO. Most of these issues are complex. Member States have taken divergent positions on the appropriateness of the proposed introduction of these issues at the

WTO. Some consider the proposed new issues as presenting risks of overload and controversy for the trading system whereas others deem the issues as appropriate, strengthening and increasing the potential benefits of the multilateral system. Having regard for the divergencies, it is necessary to first thoroughly review and build consensus on the proposed new and other issues outside a contractual framework. The review should be based on their trade-relatedness, the appropriateness of the WTO as a forum for discussions, the extent to which the issues either strengthen or weaken the MTS and affect the comparative advantage of developing countries and competitive advantage of their firms.

33. The trade and investment relationship is of a multi-faceted nature encompassing *inter alia* issues of technology transfer, industrialisation and national development objectives. It is necessary to lay the ground for consensus building in a forum such as UNCTAD to determine the implications for developing countries and arrive at a consensus before embarking on rule-making in any forum.

34. Another issue is the development of multilateral competition policies. Considerable work has been going on, especially in UNCTAD, on the linkage between trade and competition. There is therefore a basis for further analytical work and clarification of this interface in preparation for negotiating a possible multilateral instrument.

35. The question of the relationship between trade and internationally recognised core labour standards has recurrently been mentioned as a new issue to be included within the world trade agenda. The issue clearly falls within the mandate and specific competence of the International Labour Organisation (ILO).

36. The overall trading and developmental prospects of developing countries are also linked to "coherence" in the formulation and implementation of monetary, financial and trade policies. National policies and decisions on these areas affect policies and economic performance of other nations. Developing countries in particular, remain vulnerable to external economic developments. These developments have serious implications for their trade, Balance of Payments (BOPs) debt servicing, investment flows, sustainable growth and development. The Ministerial Declaration in Marrakech on the issue of global coherence was in recognition of the importance of multilateral action on this front. There is room for an initiative to propel forward work in this area and the Singapore conference provides Ministers with such an opportunity.

D. PROMOTING SOUTH-SOUTH COOPERATION

37. UNCTAD IX aptly stated that "no-one can do for us what we will not do for ourselves". The primary responsibility for the development and integration of our countries into the global trading system rests with ourselves. Cooperation among developing countries is therefore an important element in the chain of the necessary conditions for our countries to maximally gain from the trading opportunities created by domestic reform, globalisation and liberalisation and regional trading arrangements. The economic success of some developing countries as well as the emergence of dynamic regional groupings of developing countries could be a source of impetus toSouth-South cooperation.

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38. Some developing countries have achieved significant regional cooperation in trade, investment and other economic areas with substantial and positive changes in their production capacities, international competitiveness and investment attractiveness. These regions represent not only positive experiences from which other countries can benefit but also immense potential for increased cooperation with other developing countries. Within the framework of the South-South cooperation, those developing countries which are in a position to do so, would be willing to share experiences and to offer technical assistance to the LDCs in order to increase their capacities in meeting the commitments of the Uruguay Round and further, to enhance their capabilities to utilise more fully the benefits from the Round.

39. The international trading system presents fresh challenges and opportunities for cooperation among developing countries. Due to intensifying economic convergence developed and developing countries increasingly share common concerns in certain trade issues. In other areas however the interests of the two groups are distinctly divergent. Consultation and coordination among developing countries could foster their solidarity and mutual support during trade negotiations to ensure that their common and diverse trade and development interests are taken into account.

40. The Global System of Trade Preferences (GSTP) remains the most important and valid mechanism for the realisation of increased trade among developing countries. That its impact on promoting South-South cooperation has remained marginal is a matter of concern. The strengthening of the GSTP following the conclusion of the second round of negotiations is necessary to enhance its effectiveness, coverage and membership, including expanded preference to least developed countries.

41. The Group of 15 has taken some significant initiatives to promote cooperation among developing countries, including trade, investment, information exchange and business development. The operationalisation of the Committee on Investment Trade and Technology (CITT) should deepen and intensify this cooperation when our countries begin implementing the prioritised work programme of the committee.

42. This work programme is aimed at increasing the capacity of developing countries to cope with the challenges of the new trading environment. It will also enhance the work of other related arrangements for South-South cooperation, particularly the Business and Investment Forum (BIF).

43. Priorities will focus on the improvement of sources and resources for the dissemination of business information, including information networks, trade information inventories; trade promotion, including trade fairs and business exhibitions; technology cooperation; investment promotion; and policy consultations on trade liberalisation and negotiations. These are also areas with considerable scope for technical cooperation among our countries.

44. We welcome and accept the offer made by the Government of Malaysia to host our Seventh Summit Meeting in 1997.

45. We thank the people and Government of Zimbabwe for their hospitality and the excellent arrangements made for the holding of the Sixth Summit Meeting of the Group of Fifteen.